Monthly Investment Insights

February 2023

Contents

The monthly interview

Contents

In this edition of the *Monthly Investment Insights,* Dr Kenneth Creamer, Economist and Senior Lecturer at the School of Economics and Finance, University of the Witwatersrand, provides his expert analysis on the 2023 State of the Nation Address .

Dr Kenneth Creamer
Economist, School of Economics and Finance, University of the Witwatersrand

What were your expectations and key areas of interest ahead of the SONA? And were those expectations met?

I expected President Cyril Ramaphosa to use the State of the Nation Address (SONA) to reflect on the current state of South Africa's economy and society and to outline his administration's priorities for the next 12 months. Ramaphosa is a 'listening' President who consults widely with experts, political leaders and social partners in business, government, and labour.

It was evident from his address that he is acutely well-informed about the problems facing South Africa, including low growth, high unemployment, loadshedding and rising rates of crime. The main challenge that he is facing – which I believe, given weak state capacity, would be the same problem for anyone in his shoes – is one of implementation. He must find a way to implement government's policies – to move them from paper into practice, to turn the situation around and begin a sustained period of inclusive economic growth for the country. It is only through such growth that we will be able to create more employment and mobilise the resources needed to rebuild infrastructure and improve service delivery.

What were the key highlights that stood out for you, particularly on issues of the economy?

In the SONA, President Ramaphosa spent a lot of time talking about the implementation of government's Energy Action Plan to overcome the crippling problem of loadshedding. Increased investment in electricity generation capacity – by public and private actors – as well the restructuring and improved performance of Eskom are the most important economic tasks facing South Africa at the moment.

The Energy Action Plan is a comprehensive strategy which includes short- and medium-term elements, such as: fixing Eskom's coal-fired power stations and improving the availability of existing supply; enabling accelerated private investment in generation capacity; accelerating procurement of new capacity from renewables, gas and battery storage; incenstivising businesses and households to invest in rooftop solar; and fundamentally transforming the electricity sector to achieve long-term energy security.

It was significant that the President emphasised the need for bottom-up solutions, such as incentivising and financially supporting the purchase of solar equipment for households and firms, as this will help to mitigate the impact of loadshedding and also has the potential, in the months ahead, to reduce the stages of loadshedding that South Africa is experiencing.

In last year's SONA, Ramaphosa committed to a social compact to accelerate inclusive economic growth and create jobs. In your opinion, how far do you think the Ramaphosa administration has come in reaching these commitments?

In response to the Covid-19 pandemic, business, labour, government and community representatives worked closely together in responding to the crisis. There was unity of purpose in rolling-out access to Covid vaccines, money were mobilised from the Unemployment Insurance Fund to assist firms to pay salaries during the Covid lockdowns, new systems of income support were put in place for the unemployed, tax relief measures were put in place, and public employment was expanded with, for example, hundreds of thousands of young people being brought in to work as teaching assistants in our schools.

President Ramaphosa has made it clear that, through ongoing social compacting, he would like to see the continuation of common purpose and united actions in how the country responds to low growth, low investment, high employment and loadshedding. Despite his stated intention in this regard, not much progress had been made in social compacting around a common economic vision for South Africa.

Perhaps the best way to proceed, would be to rather try and unite social partners around a grand, all-encompassing social compact, the country should aim at fostering a series of focused agreements on specific matters. For example, there may be potential for a social compact on how best to take forward the country's Just Energy Transition, particularly in Mpumalanga where communities that will be negatively affected by the shift to lower carbon energy systems need to be given pathways to new forms of economic activity, such as in renewable energy projects and in new industries like green hydrogen. We could also look to uniting social partners around other issues, such as improved performance of local government, improved education outcomes, and improved safety and security and protection of our economic infrastructure.

Given all the headwinds we're facing, do you think SA is still a good investment destination?

South Africa has a number of positive fundamentals – a democratic system of government, a free media, independent courts, a well-managed financial system, and strong mining, agriculture, industrial and services sectors. On the negative side, the country has been trapped in a low-investment, low-growth phase for over a decade, and unemployment, poverty and inequality are rising for the first time since the dawn of democracy in 1994. The country's infrastructure is not being well looked after and is falling into decay.

We need to build on our country's strengths if we are to create a new inclusive growth model for South Africa. At the heart of this must be our plans to restore energy security. Energy security will make investing in South Africa a more attractive proposition. Decades of investment in new electricity generation, transmission and distribution systems will also enable us to unlock new upstream and downstream industrial activity and create many more jobs. Upstream activities will include the mining of minerals, and the making of steel and cement for building new electricity infrastructure. There is also potential for South Africa to manufacture parts for solar, wind and battery systems. Downstream, access to low carbon electricity is essential for South African industry to maintain its international competitiveness. There is also potential for new downstream products and industries to be built including electric vehicle manufacture, on the back of South Africa's current integration into global automotive supply chains, and the production and export of new products like green hydrogen.

What are your expectations for the 2024 general election?

2023 is a critical year for South Africa. It is vitally important that there be clear signs that the country's Energy Action Plan is bearing fruit and that there is an end in sight to loadshedding. This will help to reignite investor confidence in the country and will begin to fire up the engines of economic growth and job creation. In such circumstances, the 2024 election will likely be a highly contested affair as usual, but will be likely to produce a workable outcome.

If on the other hand, political divisions and administrative inertia mean a perpetuation, or worsening, of loadshedding in the year ahead, then the country will fall deeper into crisis – with ever rising levels of poverty, unemployment, and despair. There is also a risk that the country's new electoral laws, mandated by the courts to include independent candidates, if not well conceived and implemented, will lead to new sources of political instability.

If the 2024 elections take place in such circumstances, where the loadshedding crisis is continuing and where questions are raised as to the legitimacy of electoral outcomes, then our people, our political leaders and our democratic institutions will face a stern test. Our relatively young, post-apartheid constitutional dispensation will come under intense pressure, and will likely face the dangers associated with the kinds of increased populism and fractiousness that have emerged in recent years in many other parts of the world.

If, in the 2024 election, no party achieves an outright majority at the national level, then it is in the nature of our proportional representation electoral system, that parties will need to work together to form and run the government. To do so effectively, our political parties – particularly our larger, more-established parties – will have to show new levels of maturity, as they will have to learn to work together and govern together for the greater good, in the interests of the people of South Africa. If our political parties are not able to rise to the occasion and are not able to put the country first, then there is a risk that more and more people will lose faith in politicians and that state capacity and service delivery will continue to deteriorate, which in turn will have a negative impact on the country's economic performance.

Tactical asset allocation preferences

Emerging
South Africa

Developed
Global

Overall we remain optimistic on the outlook for emerging market equities including South Africa. Cyclical counters like banks, commodities and energy still seem attractive, but there are counters across sectors that offer value. Selective stock picking remains keys.

Our outlook for local property is adjusted from underweight to slightly overweight. We believe we are past the peak of Covid-19 induced stresses that challenged the earnings potential of retail and office assets. The sector has been under pressure in recent months, but yields remain attractive.

Local government bond yields have moved higher and are currently looking more attractive.

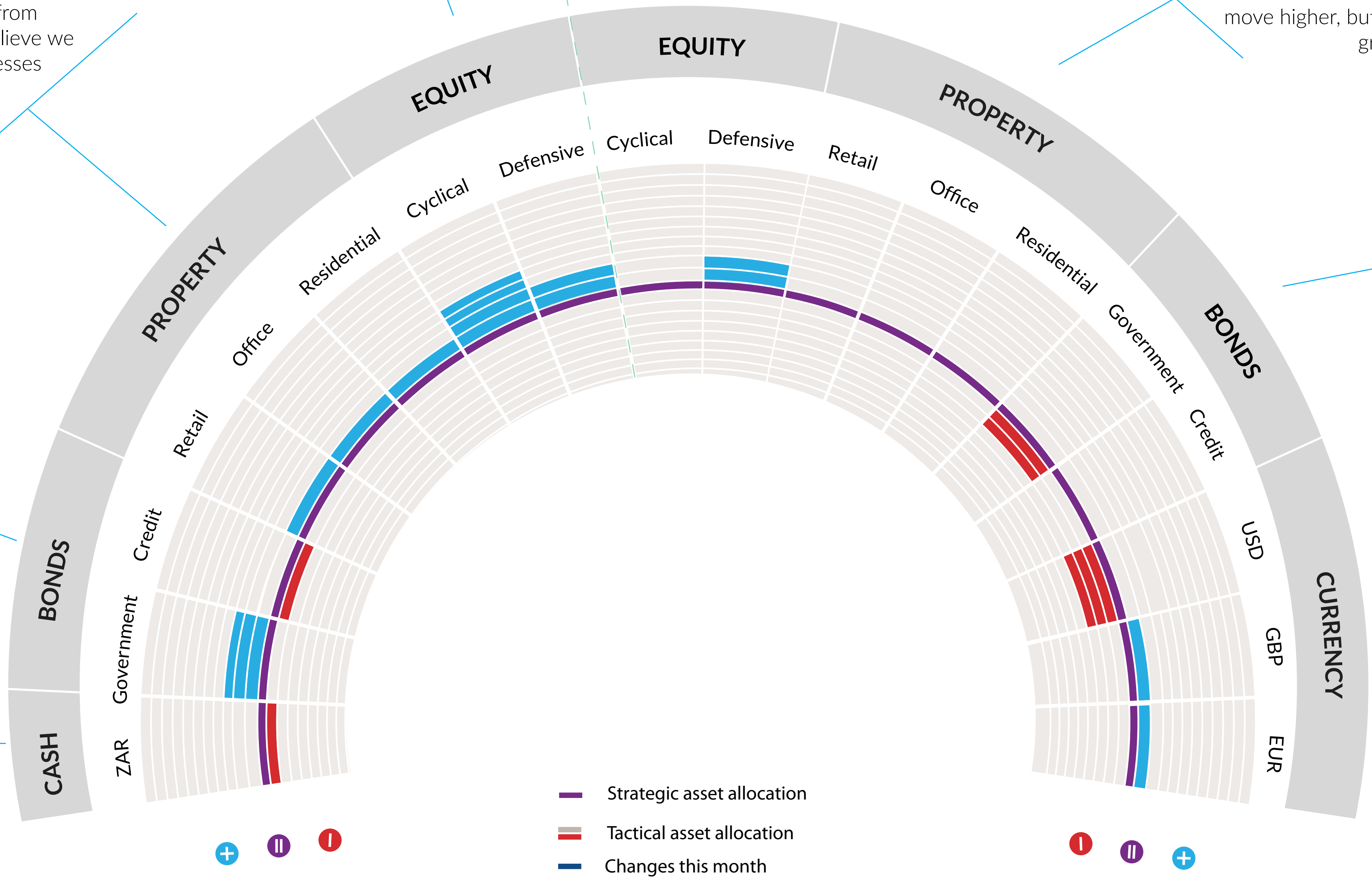
Interest rates are still low compared with historic averages. However, we do adjust our view as interest rates rise.

We remain more optimistic on value counters than some growth ones which are pricing in perpetual growth. We have seen these growth counters derate in recent months, but there still remains more room for further pressure. In the cyclical space, we prefer the energy counters and banks, but dislike traditional growth counters that remain expensive. We are keeping a close eye on the next round of earnings releases- which we think could likely come in below market consensus.

Our outlook for offshore property has changed from underweight to neutral. The sector will be volatile as interest rates move higher, but the risks are lower than in growth stocks or DM bonds.

While yields have moved higher, some risks still remain.

The US dollar is overbought at current levels.



Overweight: Tactical recommendation to hold more of the asset class than specified in the strategic asset allocation

Neutral: Tactical recommendation to hold the asset class in line with its weight in the strategic asset allocation

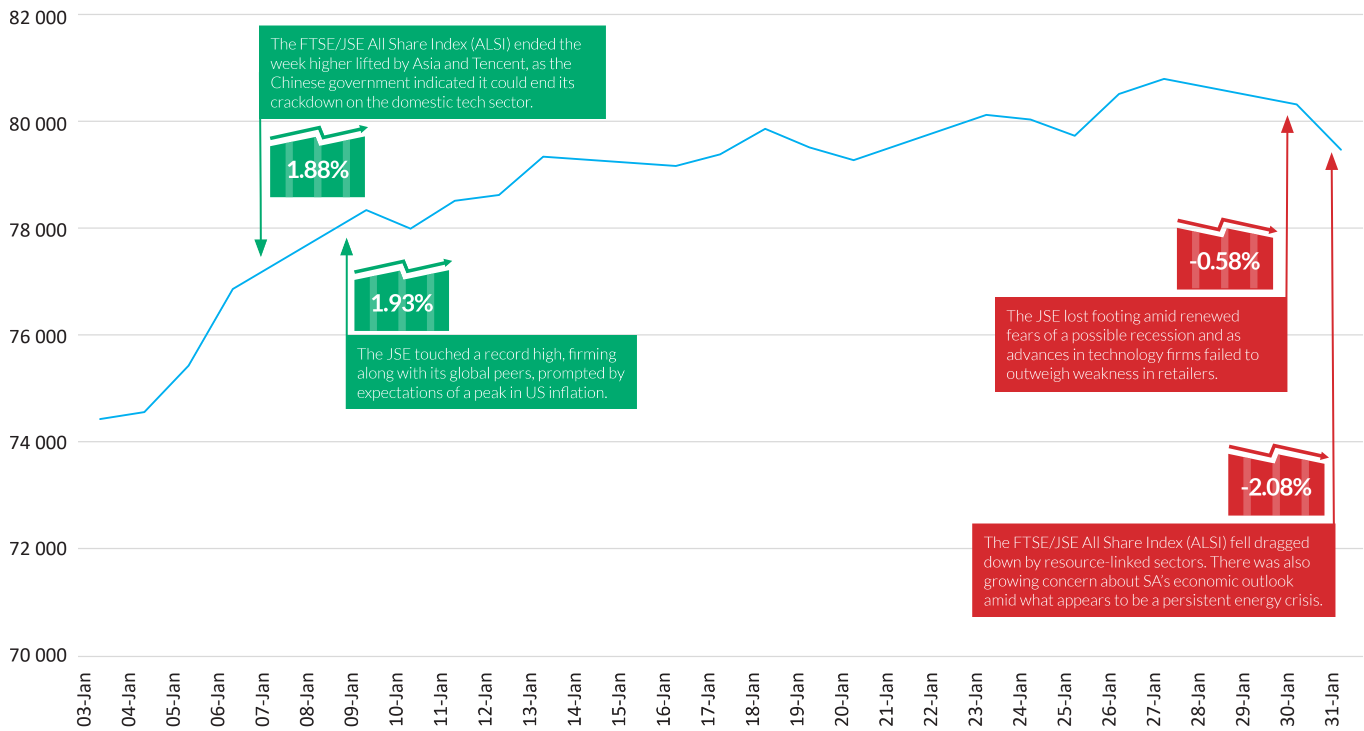
Underweight: Tactical recommendation to hold less of the asset class than specified in the strategic asset allocation

Market commentary

Contents

Equity markets kicked off the year on a positive note as signs of easing inflation in several major regions supported sentiment amid hopes that key central banks may be nearer to the peak of their rate hiking cycles. In the US, headline CPI fell to 6.50% y/y in December 2022 from 7.10% recorded previously thanks to easing energy and food prices. This combined with a better-than-expected GDP growth rate of 2.90% in the last quarter of 2022 increased expectations of slower rate hikes by the Federal Reserve in the months ahead. In the Eurozone, inflation further eased to 9.20% y/y in December 2023, compared to 10.20% recorded in the previous month. Overall, emerging markets outperformed their developed counterparts, with China's faster-than-expected rate of reopening from Covid-19 restrictions not only taking the sting out of global recessionary risks but also boosting commodity prices and exports for countries like South Africa.

FTSE/JSE All Share Index (ALSI) performance for January 2023



Source: Bloomberg

Market commentary

January
Market events

12 The annual inflation rate in the US slowed for a sixth consecutive month to 6.50% in December 2022, from 7.10% in the previous month, marking the lowest rate since October 2021.

18 South Africa's annual inflation rate eased to 7.20% y/y in December 2022, from 7.40% in the previous month, marking the softest reading since May 2022.

26 The US economy expanded 2.90% on an annualised basis in the last quarter of 2022, slightly higher than economists' forecasts of a 2.60% increase.

27 The South African Reserve Bank's (SARB) increased the benchmark repo rate by 25 basis points to 7.25% at its January 2023 meeting. This is the eighth consecutive rate hike since policy normalisation started in November 2021, albeit smaller than the market expectations of a 50 bps hike.

31 The US Fed raised the target range for the fed funds rate by 25 basis points (bps) to between 4.50% and 4.75% at the conclusion of its monetary policy meeting.

*Data taken from various sources as at 13 February 2023

PSG Wealth Fund of Funds Solutions

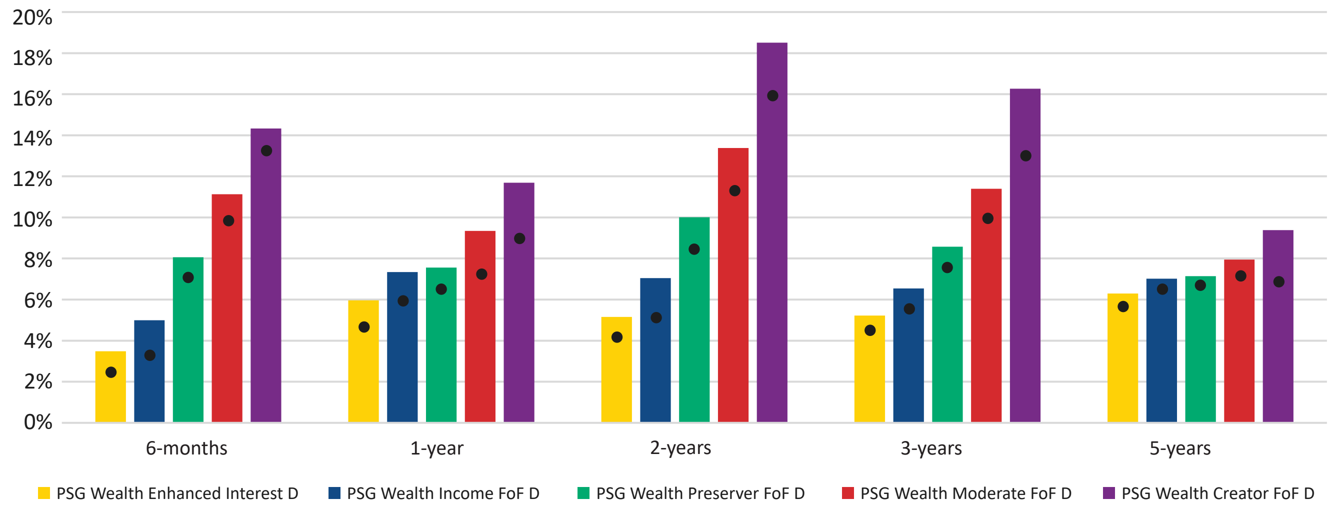
Contents

Local funds performance table

Fund	6-months	1-year	2-years	3-years	4-years	5-years
PSG Wealth Enhanced Interest FoF D	3.48%	5.97%	5.15%	5.22%	5.89%	6.30%
PSG Wealth Income FoF D	4.99%	7.34%	7.04%	6.55%	6.88%	7.01%
PSG Wealth Preserver FoF D	8.06%	7.56%	10.01%	8.57%	8.26%	7.14%
PSG Wealth Moderate FoF D	11.13%	9.34%	13.38%	11.39%	10.53%	7.95%
PSG Wealth Creator FoF D	14.33%	11.69%	18.51%	16.27%	13.55%	9.38%

Source: PSG Wealth Funds Solutions team

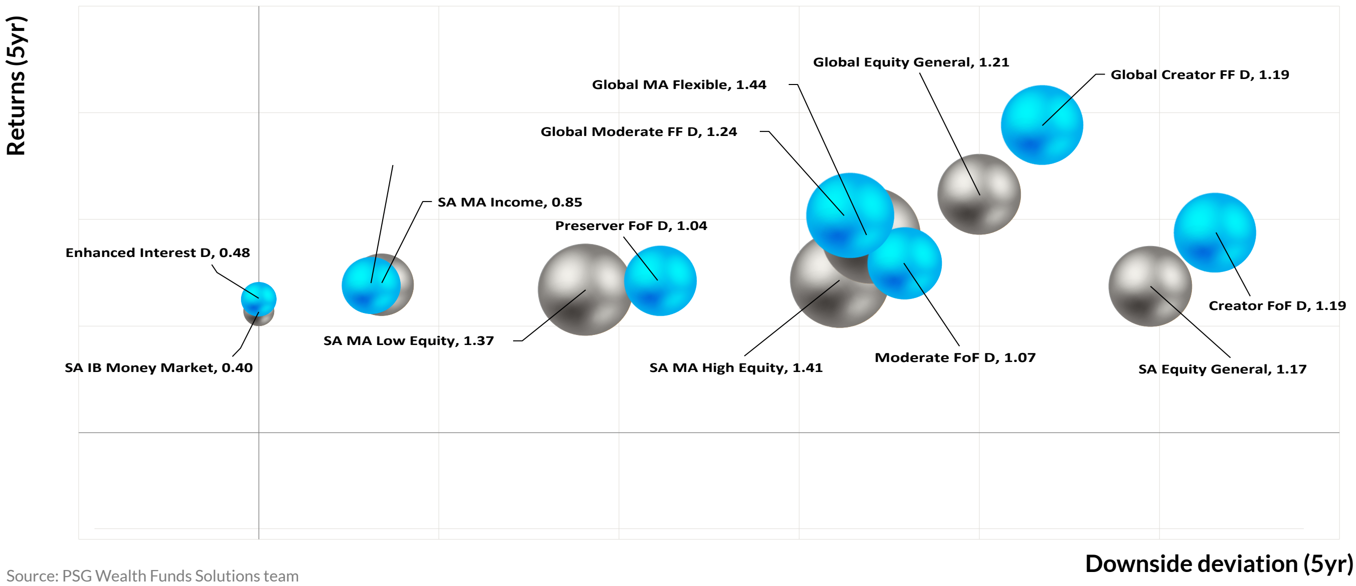
Local fund of funds (FoF) performance



Source: PSG Wealth Funds Solutions team data as at 31 January 2023

*Dots represent the relevant benchmark

PSG Wealth local FoF bubble chart



Source: PSG Wealth Funds Solutions team

How to read the bubble charts			
Vertical axis	Illustrates the return of each fund	Size of the bubble	Illustrates TER which is an indication of cost. The TERs for the fund benchmarks are assumed to be 1.14% including VAT.
Horizontal axis	Illustrates the downside deviation which is a measure of downside risk that focuses on returns that fall below a minimum threshold or minimum acceptable return (MAR)	Grey bubbles	Indicate relevant fund benchmarks
		Cyan bubbles	Represent PSG Wealth EB solutions

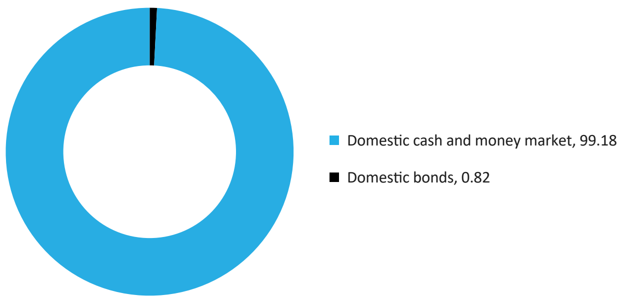
Disclaimer: All performance is reported in ZAR unless specified otherwise

PSG Wealth Domestic Solutions

PSG Wealth Enhanced Interest FoF

- The PSG Wealth Enhanced Interest Fund delivered a return of 0.68% for January 2023, compared with the 0.53% of its benchmark, the South Africa IB Money Market sector average.
- This fund has an investment horizon of one year and has outperformed its benchmark comfortably with 5.97% against 5.14% over the one-year period.
- The fund has also outperformed its benchmark over all measurement periods, greater than a month.

Asset allocation



Source: PSG Wealth Funds Solutions team

Risk and expectations: We are confident the fund will continue to deliver returns in excess of money market rates to reduce the negative effects of inflation on cash. The fund remains conservatively positioned in very short-dated money market instruments, which provides stable consistent returns over the short term. However, the conservative positioning of the fund does mean that it will not be able to generate the same level of long-term inflation beating returns of our more growth orientated portfolios.

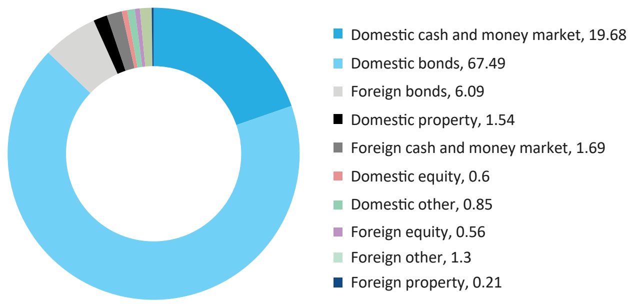
Radar: No funds on the radar screen.

Changes: There are no changes to the underlying funds.

PSG Wealth Income FoF

- This fund delivered a return of 1.47% for January 2023, compared to the 0.60% of its benchmark, the STeFI 12 Month NCD ZAR.
- The PSG Wealth Income FoF has an investment horizon of two years, and it has outperformed its sector with 7.04% against 6.50% over the two-year period and is ranked 26th out of 104 funds over this period.
- This fund also delivered first quartile performances over the recommended investment period.

Asset allocation



Source: PSG Wealth Funds Solutions team

Risk and expectations: The primary risk for the Income FoF given its high allocation to fixed interest instruments (specifically nominal bonds) remains any unexpected increase in interest rates, however the likelihood of this has decreased significantly over the past 12 months due to the current low level of inflation in South African and the global trend with regards to low interest rates and further rate cuts (although muted) from select developed market countries. As a multi-asset fund, the Income FoF can have exposure to equities, property and offshore assets, however this exposure is limited to a combined risk budget of 25%. Over the long term, these positions has boosted the absolute and relative performance of the FoF, however they add some volatility to the short term returns of the FoF and can, as experienced over the last 12 to 24 months result in the FoF lagging behind more conservative peers. We are, however, confident that the fund will deliver positive returns over the preferred investment period of two years and longer, and that it will continue to deliver above-average returns with below-average risk.

Radar: No funds on the radar screen.

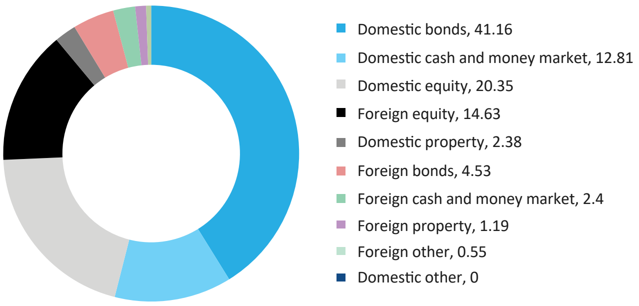
Changes: There are no changes to the underlying funds.

PSG Wealth Domestic Solutions

PSG Wealth Preserver FoF

- The PSG Wealth Preserver FoF delivered a return of 4.42% for January 2023 compared with the 3.88% of its sector, the South African MA Low Equity sector average.
- The fund outperformed the South African MA Low Equity sector average over the three-year period with 8.57% against 7.56% and is ranked 33rd out of 145 funds over this period.
- This fund also delivered first or second quartile performances over all measurement periods, first quartile over the recommended investment period.

Asset allocation



Source: PSG Wealth Funds Solutions team

Risk and expectations: The PSG Wealth Preserver FoF can hold up to a total of 40% in domestic and offshore equities and may deliver negative short-term performances in sharp equity corrections or equity bear markets. We are confident that the fund will continue to deliver above-average returns with below-average risk over its minimum recommended investment period of three years. Additionally, the fund remains positioned to protect the capital of clients over 12-month periods during severe negative equity market corrections.

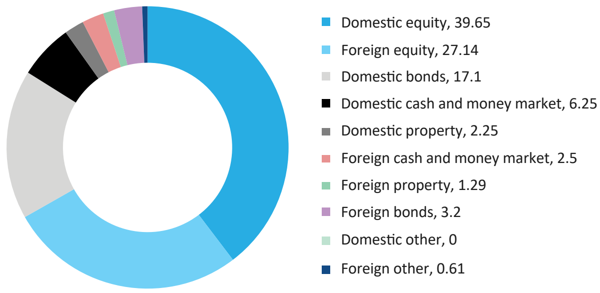
Radar: None.

Changes: There are no changes to the underlying funds.

PSG Wealth Moderate FoF

- The PSG Wealth Moderate FoF rose by 6.70% in January 2023, compared to the 5.94% of its benchmark, the South African MA High Equity sector average.
- This FoF has an investment horizon of five years and has outperformed its benchmark with 7.95% against 7.15% over the five-year period. It is ranked 48th out of 162 funds over this period.
- It also delivered first or second quartile performances for all measurement periods.

Asset allocation



Source: PSG Wealth Funds Solutions team

Risk and expectations: The PSG Wealth Moderate FoF may hold up to a total of 75% in domestic and offshore equities and could deliver negative short-term performances in sharp equity corrections or equity bear markets. We are confident that the fund will continue to deliver above-average returns with below-average risk over its recommended minimum investment period of five years.

Radar: Ninety One Managed was remain onto the quantitative radar screen, while Nedgroup Investment Core Diversified was removed from the quantitative radar screen.

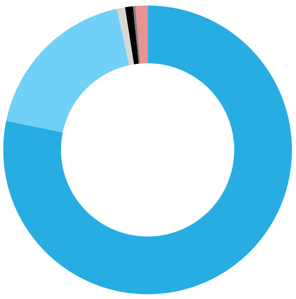
Changes: There are no changes to the underlying funds.

PSG Wealth Domestic Solutions

PSG Wealth Creator FoF

- The PSG Wealth Creator FoF jumped by 7.01% in January 2023, compared with the 6.70% of its benchmark, the South African EQ General Sector Average.
- The FoF has an investment horizon of five years and longer and has outperformed its benchmark with 9.38% against the 6.86% over the five-year period while also outperforming over the seven-year period with 10.29% compared to 7.67% of the benchmark. It is ranked 28th out of 131 funds over the five-year period and 22nd out of 103 funds over the seven-year period.
- The fund also delivered first quartile performances for all measurement periods greater than two years.

Asset allocation



Source: PSG Wealth Funds Solutions team

Risk and expectations: Although the outlook for equities is still uncertain, we are confident that the relative performance of the underlying managers in the fund will continue to improve in the near future. The managers are all active managers that have demonstrated the ability to add alpha through careful stock selection, particularly during turbulent equity markets. This fund will always maintain an exposure of close to 100% in domestic and offshore equities. It will deliver negative performances in sharp equity corrections or equity bear markets. We are confident that the fund will continue to deliver above-average long-term returns with below-average risk.

Radar: Old Mutual Investors is added on to the quantitative radar screen.

Changes: No changes to underlying funds.

PSG Wealth Offshore Solutions

Contents

Offshore funds performance table

Reported in USD

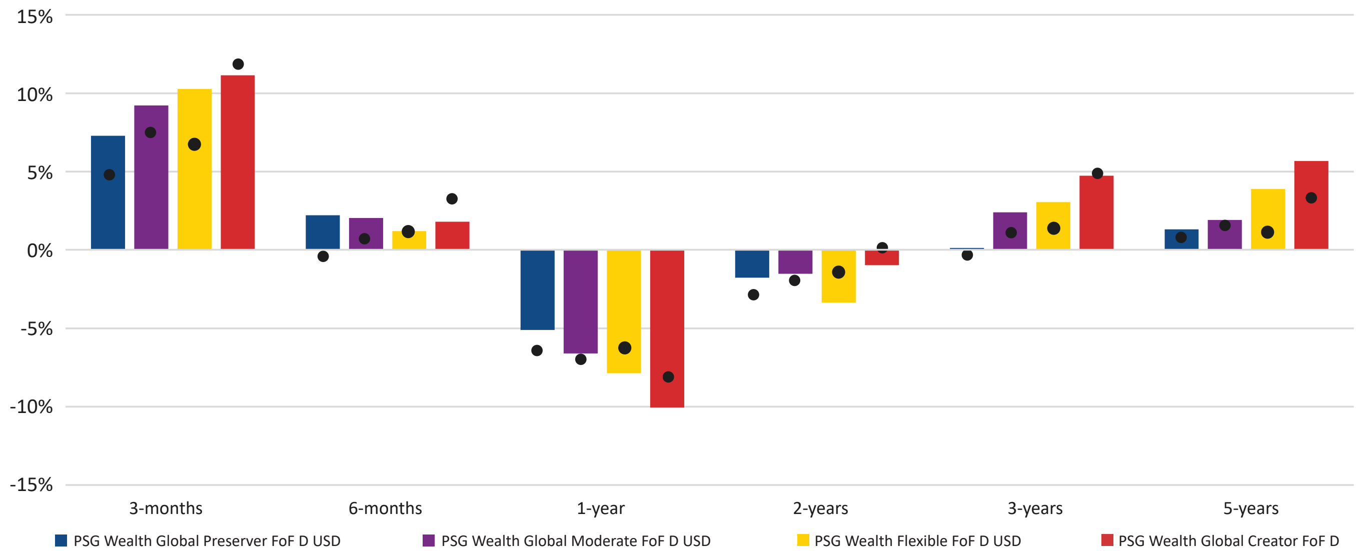
Fund	6-months	1-year	2-years	3-years	4-years	5-years
PSG Wealth Global Preserver FoF D USD	2.21%	-5.10%	-1.77%	0.13%	1.85%	1.32%
PSG Wealth Global Moderate FoF D USD	2.04%	-6.60%	-1.52%	2.40%	4.21%	1.91%
PSG Wealth Global Flexible FoF D USD	1.20%	-7.86%	-3.36%	3.05%	5.83%	3.89%
PSG Wealth Global Creator FoF D	1.81%	-10.05%	-0.97%	4.73%	8.89%	5.67%

Reported in GBP

Fund	6-months	1-year	2-years	3-years	4-years	5-years
PSG Wealth Global Preserver FoF D GBP	1.00%	1.06%	2.00%	1.53%	2.73%	3.05%
PSG Wealth Global Flexible FoF D GBP	0.91%	0.59%	1.99%	5.62%	7.63%	6.49%

Source: PSG Wealth Funds Solutions team

Offshore funds performance



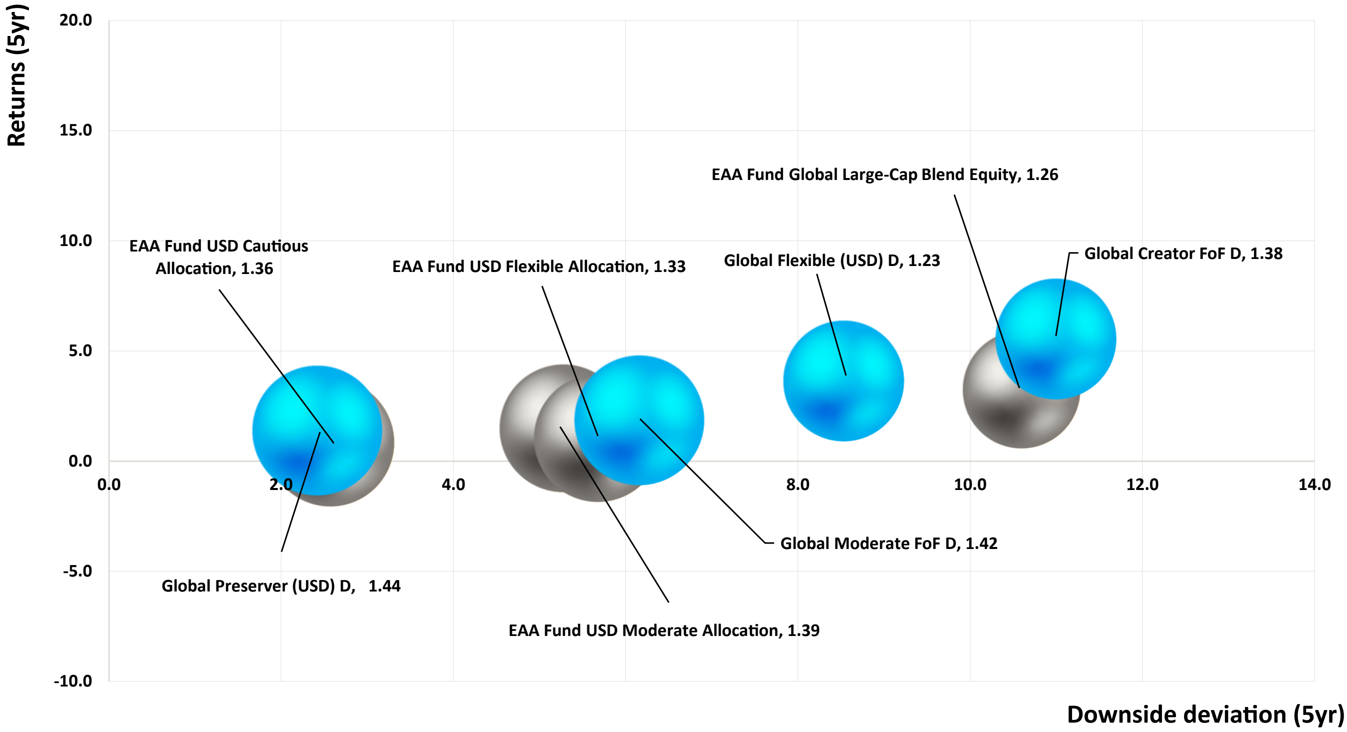
Source: PSG Wealth Funds Solutions team data as at 31 January 2023

*Dots represent the relevant benchmark

All performance is reported in USD unless specified otherwise.

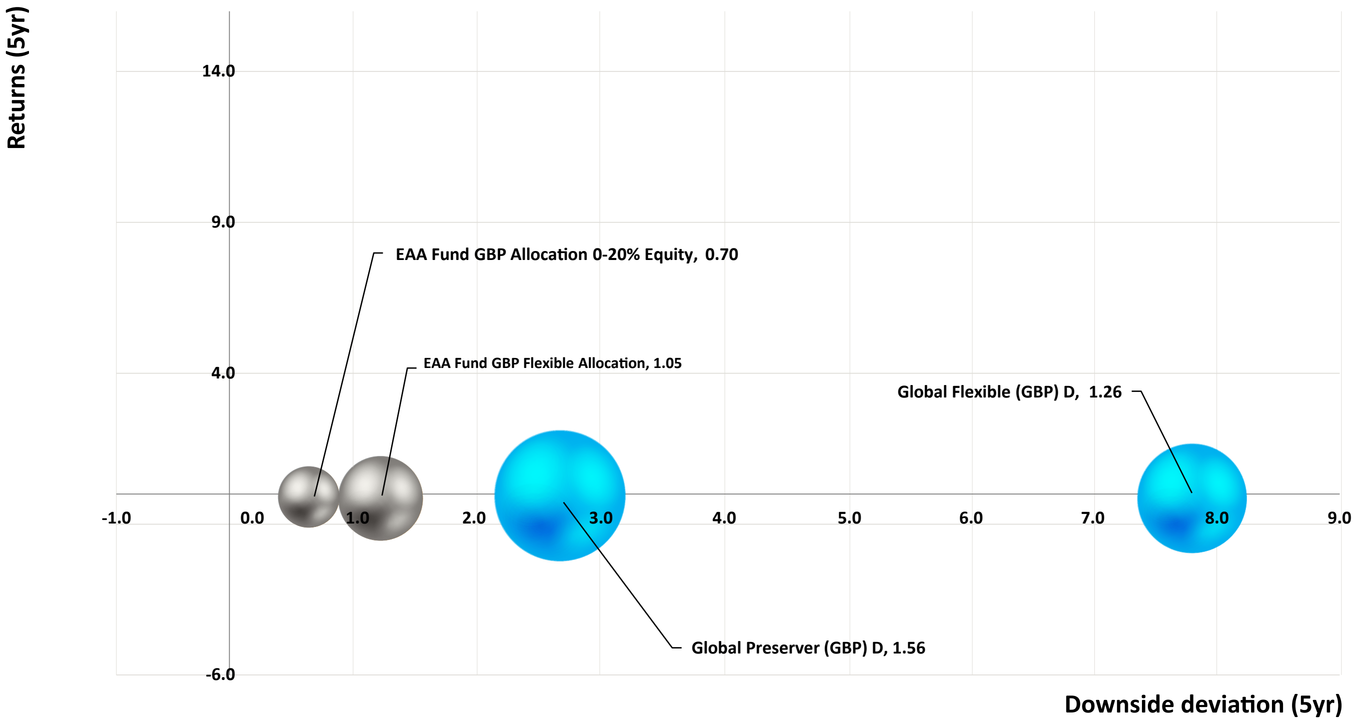
PSG Wealth Offshore Solutions

PSG Wealth Offshore Fund of Funds (USD)



Source: PSG Wealth Funds Solutions team

PSG Wealth Offshore Fund of Funds (GBP)



Source: PSG Wealth Funds Solutions team

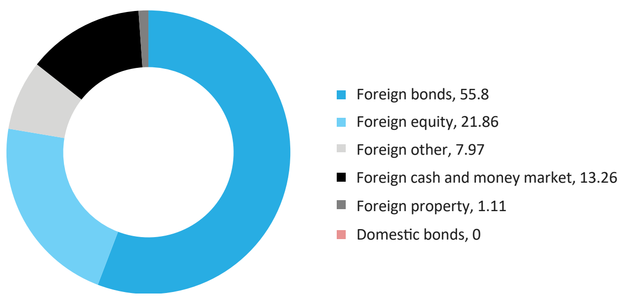
How to read the bubble charts			
Vertical axis	Illustrates the return of each fund	Size of the bubble	Illustrates TER which is an indication of cost
Horizontal axis	Illustrates the downside deviation which is a measure of downside risk that focuses on returns that fall below a minimum threshold or minimum acceptable return (MAR)	Grey bubbles	Indicate fund peers
		Cyan bubbles	Represent PSG Wealth solutions

PSG Wealth Offshore Solutions

PSG Wealth Global Preserver FoF (USD)

- The PSG Wealth Global Preserver FoF USD returned 3.43% in USD for January 2023, outperforming the benchmark Morningstar EAA Funds USD Cautious Allocation sector average, which delivered 2.91%.
- The PSG Wealth Global Preserver FoF USD ranked in the first or second quartile of its global sector over all measurement periods. It is ranked 28th out of 90 funds over the past five years.

Asset allocation



Source: PSG Wealth Funds Solutions team

Risk and expectation: The portfolio has a high equity allocation relative to peers and could underperform during periods of strong equity market declines, conversely the portfolio will perform well when equity markets outperform other asset classes. Rising global interest rates could also result in capital losses on the fixed interest and property portions of the portfolio. However, this impact is limited due to the FoF's low bond duration. Additionally, sufficient diversification through its overweight allocation to equities to provide some protection to the portfolio in the event of any unexpected interest rate increases.

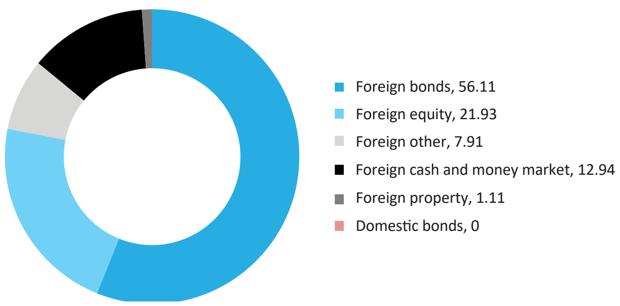
Radar: There are no changes to the underlying funds.

Changes: None.

PSG Wealth Global Preserver FoF (GBP)

- The PSG Wealth Global Preserver FoF GBP returned 1.89% in GBP for January 2023, underperforming the benchmark Morningstar EAA Fund GBP Allocation 20-40% Equity sector average, which delivered 2.63%.
- The PSG Wealth Global Preserver FoF GBP ranked in the first quartile of its global sector over measurement periods, greater than three months.

Asset allocation



Source: PSG Wealth Funds Solutions team

Risk and expectation: The portfolio has a high equity allocation relative to peers and could underperform during periods of strong equity market declines, conversely the portfolio will perform well when equity markets outperform other asset classes. Rising global interest rates could also result in capital losses on the fixed interest and property portions of the portfolio. However, this impact is limited due to the FoF's low bond duration. Additionally, sufficient diversification through its overweight allocation to equities to provide some protection to the portfolio in the event of any unexpected interest rate increases.

Radar: There are no changes to the underlying funds.

Changes: None.

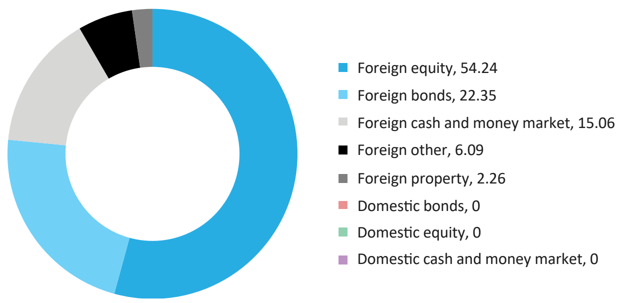
All performance is reported in USD unless specified otherwise.

PSG Wealth Offshore Solutions

PSG Wealth Global Moderate FoF (USD)

- The PSG Wealth Global Moderate FoF returned 4.83% in dollar terms for the month of January, outperforming the Morningstar USD Moderate Allocation benchmark. The FoF is ranked in the second quartile over the recommended minimum investment horizon of seven years, and is ranked 45th out of 134 funds over this period.

Asset allocation



Source: PSG Wealth Funds Solutions team

Risk: The portfolio is defensively positioned with a developed market overweight, and performance will likely be muted during periods of positive market sentiment when risky assets such as emerging markets outperform. The portfolio currently has over 22% in bonds, which could be negatively impacted by unexpected interest rate increases. However, this risk is mitigated to an extent by relatively large equity allocation.

Expectation: We expect volatility to remain high in the short term with fluctuating market sentiment in global equity markets, the cash position provides a buffer against market downturns. Our underlying managers are also able to deploy this cash when they find more attractive opportunities in the market. Interest rate risk is actively managed by our underlying managers, with most positioned on the shorter end of the yield curve.

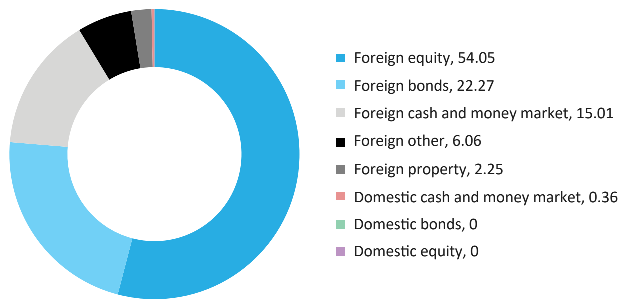
Radar: There are no changes to the underlying funds.

Changes: None.

PSG Wealth Global Moderate FF (ZAR)

- The PSG Wealth Global Moderate FF D delivered a return of 7.53% in rand-terms for January 2023, outperforming the Morningstar EAA Funds USD Moderate allocation sector average, which delivered 6.76%.
- The rand decrease in value by approximately 2.42% against the US dollar over January, thus increasing global portfolio returns reported in rands.
- The PSG Wealth Global Moderate FF D is ranked in the second or third quartile of the ASISA Global Multi Asset Flexible sector.

Asset allocation



Source: PSG Wealth Funds Solutions team

Risk and expectation: We expect increased volatility in the rand over the short term, which could have a significant impact on rand returns for our global funds. However, over longer periods (seven years +) we expect the currency effect will be relatively flat and given the relative valuation of global assets, especially equities, we still believe the fund offers good opportunities.

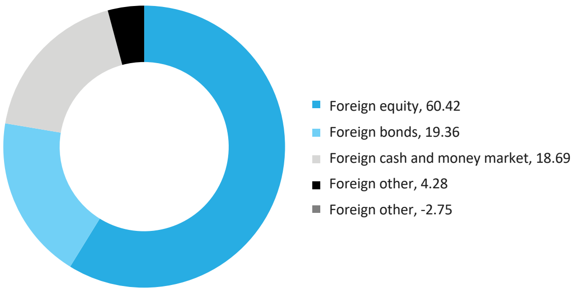
All performance is reported in USD unless specified otherwise.

PSG Wealth Offshore Solutions

PSG Wealth Global Flexible FoF (USD)

- The PSG Wealth Global Flexible FoF USD delivered 4.73% in USD for January outperforming the Morningstar EAA Funds USD Flexible allocation sector, which returned 4.31%.
- The PSG Wealth Global Flexible FoF USD ranked in the first quartile of its global sector over all measurement periods greater than three years and since inception is ranked 3rd in the sector.
- The FoF has delivered an excess return of 4.57% per annum above the sector average over the minimum recommended investment period of seven years.

Asset allocation



Source: PSG Wealth Funds Solutions team

Risk and expectation: The portfolio currently has an equity allocation of 60.42%. Thus, the portfolio will likely underperform should there be a significant correction in global equity markets. We expect volatility to remain high in the short term with fluctuating market sentiment in global equity markets. However, we are confident that our underlying managers will adjust the positioning of their portfolios as they find opportunities that offer good returns relative to the risk taken.

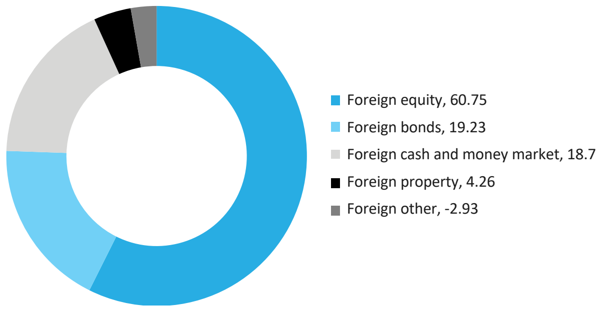
Radar: There are no changes to the underlying funds.

Changes: None.

PSG Wealth Global Flexible FoF (GBP)

- The PSG Wealth Global Flexible FoF GBP returned 3.17% in GBP for January, outperforming the benchmark Morningstar EAA Funds GBP Flexible allocation sector average, which delivered 2.86%.
- The PSG Wealth Global Flexible FoF GBP ranked in the first quartile of its global sector over all measurement periods greater than two years and is ranked 4th out of 72 funds over the seven-year period.
- The FoF has delivered a minimum excess return of 5.68% per annum more than the sector average over the minimum recommended investment horizon.

Asset allocation



Source: PSG Wealth Funds Solutions team

Risk and expectation: The portfolio currently has an equity allocation of 60.75%. Thus, the portfolio will likely underperform should there be a significant correction in global equity markets. We expect volatility to remain high in the short term with fluctuating market sentiment in global equity markets. However, we are confident that our underlying managers will adjust the positioning of their portfolios as they find opportunities that offer good returns relative to the risk taken.

Radar: There are no changes to the underlying funds.

Changes: None.

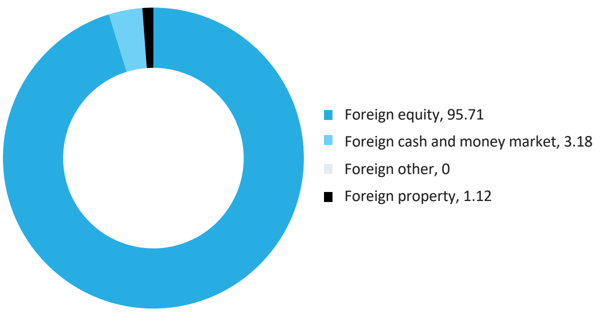
All performance is reported in USD unless specified otherwise.

PSG Wealth Offshore Solutions

PSG Wealth Global Creator FoF (USD)

- The PSG Wealth Global Creator FoF returned 6.71% in USD for January, underperforming the benchmark Morningstar EAA Funds Global Large-Cap Blend equity sector, which delivered 6.77%.
- The PSG Wealth Global Creator FoF is ranked in the first quartile of global equity funds over all measurement periods greater than four years. The ranking universe is not restricted to only funds registered for sale in South Africa and includes the full range of global open-ended funds falling within the Morningstar GIFS Global Large Cap Blend sector.

Asset allocation



Source: PSG Wealth Fund Solutions team

Risk: Most of our underlying managers remain relatively defensively positioned, with a preference for high-quality stocks with very strong balance sheets, strong moats and steady earnings outlooks. Given the high allocation to quality large caps, mostly in developed markets, we expect to underperform global markets when sentiment is very positive and relatively risky assets, such as emerging market equities, perform strongly (risk-on trade).

Expectation: We are confident that our underlying managers will adjust the positioning of their portfolios (including exposure to emerging markets) as they find opportunities that offer good returns relative to the risk taken. We expect volatility to remain high in the short term with fluctuating market sentiment in global equity markets, thus we are comfortable with the overall defensive positioning of our fund.

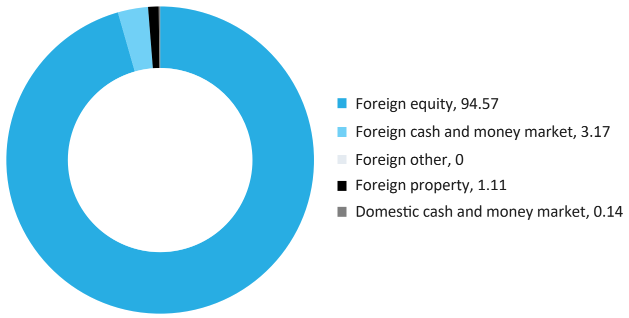
Radar: Nedgroup Inv Funds Global Equity A Acc was removed from the quantitative radar screen. T. Rowe Price Glb Foc Gr Eq I USD, Threadneedle (Lux) Global Select 8U USD and GS Glbl Eq Ptnrs ESG P Acc USD removed from the quantitative radar screen.

Changes: None.

PSG Wealth Global Creator FF (ZAR)

- The PSG Wealth Global Creator FF D delivered a return of 11.28% for January in rand-terms, outperforming the global sector average, which returned 9.32% and the ASISA Global Equity General sector, which returned 9.82%.
- The rand decrease in value by approximately 2.42% against the US dollar over January, thus increasing global portfolio returns reported in rand.
- The PSG Wealth Global Creator FF D delivered first quartile returns for all measurement periods greater than three years. Over the past five years, the FF outperformed the ASISA Global Equity General sector average by 2.68% per annum.

Asset allocation



Source: PSG Wealth Fund Solutions team

Risk and expectation: We expect increased volatility in the rand over the short term, which could have a significant impact on rand returns for our global funds. However, over longer periods (seven years +) we expect the currency effect will be relatively flat and given the relative valuation of global equities we still believe the fund offers good opportunities.

All performance is reported in USD unless specified otherwise.

PSG Wealth House View Equity Portfolios

Contents

Performance table

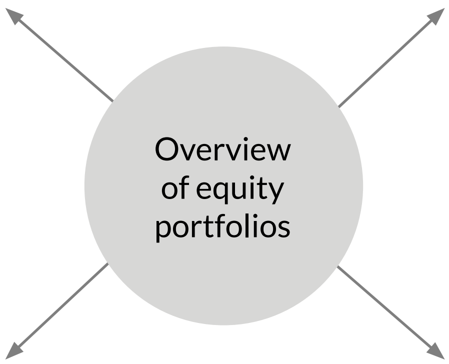
PSG Wealth House View equity portfolios

Fund	1-month	3-months	6-months	12-months	2-years	3-years	4-years	Since inception
SA Equity Portfolio	6.59%	7.74%	8.25%	3.98%	10.45%	7.46%	3.88%	4.72%
SA Property Portfolio	-1.59%	3.68%	0.46%	-1.10%	17.14%	-4.43%	-6.96%	-5.19%
Offshore Equity Portfolio (USD)	3.39%	8.23%	5.94%	-5.39%	7.06%	9.10%	12.14%	12.20%
SA Income Growth Equity Portfolio	6.40%	5.42%	8.61%	2.74%	11.09%	4.14%	0.09%	1.83%

Source: PSG Wealth research team

SA Equity Portfolio
Appropriate for investors seeking benchmark beating returns while managing risks, but who are comfortable with the capital fluctuations that characterizes an investment of this type.

Offshore Equity Portfolio
Appropriate for investors seeking relative returns that exceed the international benchmark returns.



Income Growth Equity Portfolio
Suitable for investors that require a regular and growing stream of income derived from dividends with the potential for real growth in capital value.

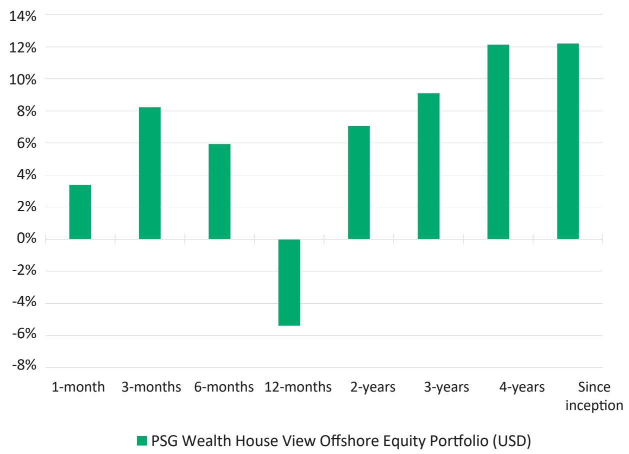
SA Property Equity Portfolio
For an investor that seeks property sector specific exposure.

PSG Wealth House View Equity Portfolios

PSG Wealth House View Offshore Equity Portfolio

- The portfolio returned 3.39% (USD) in January 2023, and the Dow Jones Global Titans 50 TR that delivered 6.93%.
- Fifteen (75%) of the 20 stocks in this portfolio ended above its benchmark.

Performance since inception

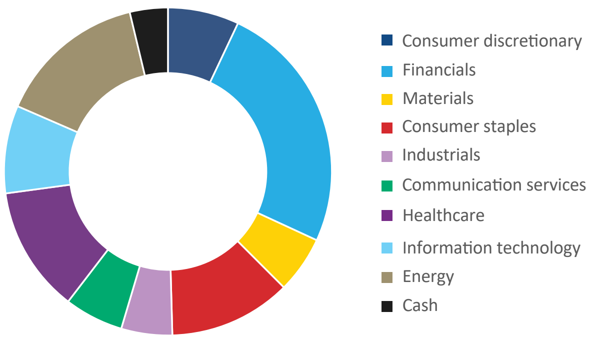


Disclaimer: Annualised for periods greater than one year

Source: PSG Wealth research team data as at 31 January 2023

*Inception date: 30 August 2015

Asset allocation



Source: PSG Wealth research team

Expectations:

- Global monetary policy normalisation to create volatility in investment markets.
- The latest cycle ended in 2022 and lasted eight months and fell 25%. It has recovered so far, but given the risks, we may not have seen the end of this latest correction cycle.
- Higher interest rates to be a headwind to global GDP growth as central banks focus on reigning in inflation.
- Fading growth outlook for high growth counters could have an outsized impact on valuations.
- Balance sheet strength to become more relevant on share price performance as maturing loans need to be refinanced at higher rates.
- Overweight portfolio positions towards stable healthcare and consumer staple counters should reduce volatility. Energy provides an inflation hedge but is also exposed to a thematic supply-demand imbalance.
- The portfolio has a style tilt toward value; strong performance of this style should lead to outperformance.
- The portfolio has a style tilt against growth and should underperform during periods when this style performs well.

Risk:

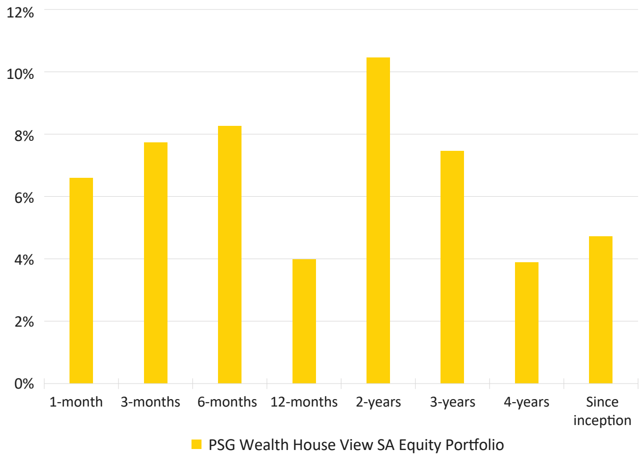
- Policy mistakes by central banks as they balance inflation risks and growth headwinds.
- Energy uncertainty in Europe could pressure the region's growth and inflation outlook and might spill over to the US as well.
- Sustained higher inflation and weak global growth might require material portfolio adjustment.
- The portfolio is highly exposed to global multinationals. Geopolitical tensions might have an impact on some portfolio exposures.
- Chinese growth concerns may impact commodity exposed stocks.

PSG Wealth House View Equity Portfolios

PSG Wealth House View SA Equity Portfolio

- The portfolio made a return of 6.59%, while the composite benchmark returned 6.88% for January 2023.
- Six (33%) of the 18 stocks in this portfolio ended above its benchmark last month.

Performance since inception

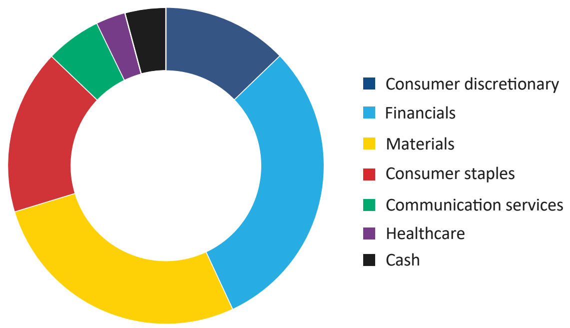


Disclaimer: Annualised for periods greater than one year

Source: PSG Wealth research team data as at 31 January 2023

*Inception date: 30 August 2015

Asset allocation



Source: PSG Wealth research team

Expectations:

- Sufficient regulatory reform to support the economy in the longer term.
- Financial systems that are sufficiently robust to deal with the current challenges.
- High commodity prices to be supportive of the fiscus and exchange rates; however, the current prices and Chinese challenges in property prices and credit growth are starting to present risks.
- Higher inflation pressures through food and energy prices.
- South African equity performance to be correlated to value factor performance in the global value versus growth theme. High government bond yields present an asymmetrical risk to the upside.
- Depressed valuations support the expectation of decent investment outcomes.
- Global monetary policy normalisation to create volatility in investment markets.
- The portfolio has a style tilt toward size and value; strong performance of these styles should lead to outperformance.
- The portfolio has a style tilt against growth and momentum and should underperform during periods when these styles perform well.
- Given the diversification of the portfolio, the quality of its chosen investments and the balance between domestic and offshore sectors, we believe that the impact of macro variables on portfolio returns should be reduced.

Risk:

- Government finances and the funding of heavily indebted SOEs remain a material concern, especially in the face of commodity price stagnation.
- Social support packages that are unaffordable.
- Government reforms that are insufficient to restore international investor confidence and return the economy to growth.
- Unreliable electricity supply to drag on economic growth and now Transnet is also becoming a more serious risk
- Monetary policy tightening that further suppress economic activity.
- Changes in the perception of sovereign risk (positive and negative) and its flow through to exchange and interest rates can impact portfolio values.
- Higher geopolitical risk can result in a flight to safety, potentially impacting emerging market valuations negatively.

PSG Wealth House View Equity Portfolios

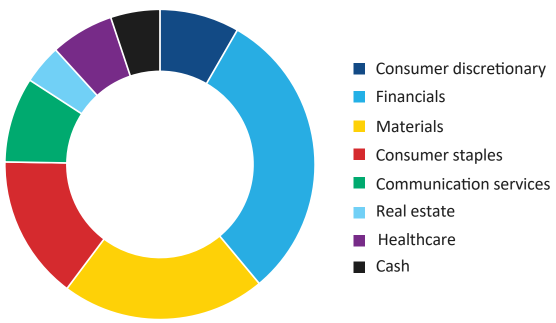
PSG Wealth House View Income Growth Equity Portfolio

- The portfolio made a return of 6.40% during January 2023, underperforming its benchmark, the FTSE/JSE Capped SWIX TR, which returned 6.88% over the same period.
- Seven (33%) of the 21 stocks in this portfolio came in above the benchmark.

Performance since inception

Disclaimer: Annualised for periods greater than one year (since inception)
Source: PSG Wealth research team data as at 31 January 2023
*Inception date: 29 April 2016

Asset allocation



Source: PSG Wealth research team

Expectations:

- Sufficient regulatory reform to support the economy in the longer term.
- Financial systems that are sufficiently robust to deal with the current challenges.
- Higher inflation pressures through food and energy prices, but it may be close to peaking as at November 2022.
- South African equity performance to be correlated to value factor performance in the global value versus growth theme.
- Depressed valuations support the expectation of decent investment outcomes.
- Global monetary policy normalisation to create volatility in investment markets.
- The portfolio has a style tilt toward size, profitability and value; strong performance of these styles should lead to outperformance.
- Given the portfolio's exposure to domestic-focused stocks, it should outperform during periods of ZAR and local bond strength.

Risk:

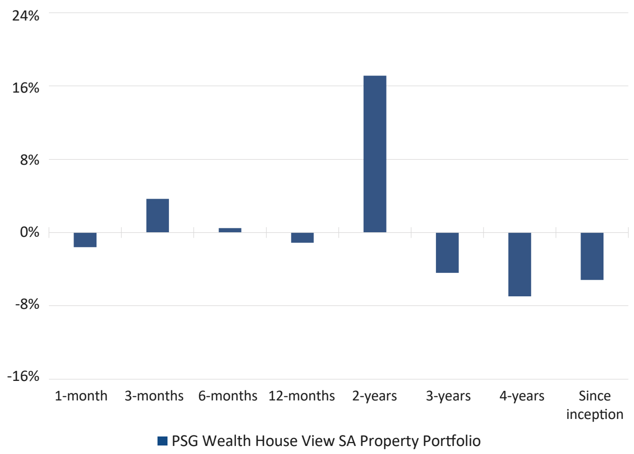
- Government finances and the funding of heavily indebted SOEs remain a material concern.
- Social support packages that are unaffordable.
- Government reforms that are insufficient to restore international investor confidence and return the economy to growth.
- Unreliable electricity supply to drag on economic growth.
- Monetary policy tightening that further suppress economic activity.
- Changes in the perception of sovereign risk (positive and negative) and its flow through to exchange and interest rates can impact portfolio values.
- Higher geopolitical risk can result in a flight to safety, potentially impacting emerging market valuations negatively.

PSG Wealth House View Equity Portfolios

PSG Wealth House View SA Property Portfolio

- The portfolio made a return of -1.59% during January 2023, underperforming the FTSE/JSE SA All Property TR, which returned -0.94%.
- Six (33%) of the 18 stocks in the portfolio performed above its benchmark.

Performance since inception

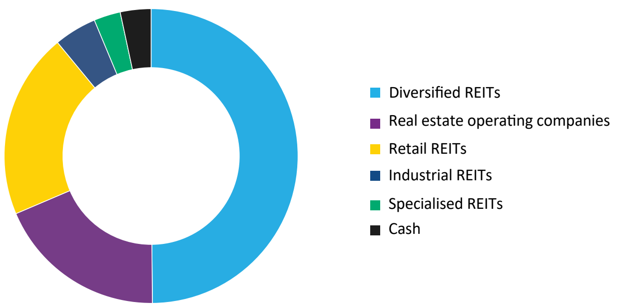


Disclaimer: Annualised for periods greater than one year

Source: PSG Wealth research team data as at 31 January 2023

*Inception date: 1 December 2015

Asset allocation



Source: PSG Wealth research team

Expectations:

- A capital market that is liquid enough to support funding needs.
- Companies are retaining capital to ensure liquidity, which may place REIT status at risk in some circumstances.
- Further asset disposals, restructurings, and raised capital to improve balance sheet flexibility.
- The sluggish economic environment will continue to place pressure on the real estate sector.
- There is generally an oversupply of office space.
- Demand for vacant space will remain muted, placing further pressure on rentals. Weak economic growth might result in higher vacancy profiles and rental reversions.
- Due to the highly competitive and weak market dynamics, attracting and retaining tenants has become costlier, with retail companies increasing incentives for tenants.
- High government bond yields present an asymmetrical risk to the upside.
- Depressed valuations support the expectation of decent investment outcomes.

Risk:

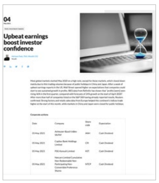
- Sustained weak economic conditions.
- Tightening credit conditions could influence access to capital.
- Difficulty to delever balance sheets with falling property values.
- Liquidity crisis could erode dividends underpinning the current valuations.
- Changes in sovereign risk (positive and negative) and its flow through to capital markets can significantly impact valuations.
- Liquidity risk could lead to the inability to sell underperforming assets quickly.

Other publications

Contents

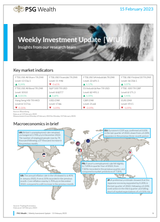
Previous publications

Daily Investment Update



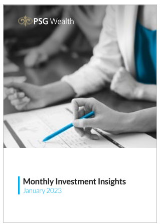
22 February 2023

Weekly Investment Update



15 Feb	03 Aug	09 Feb	21 Jul
08 Feb	20 Jul	02 Feb	14 Jul
01 Feb	13 Jul	19 Jan	07 Jul
18 Jan	06 Jul	15 Dec	23 Jun
14 Dec	22 Jun	08 Dec	15 Jun
07 Dec	15 Jun	01 Dec	09 Jun
23 Nov	08 Jun	17 Nov	02 Jun
16 Nov	01 Jun	10 Nov	19 May
09 Nov	18 May	03 Nov	12 May
02 Nov	11 May	20 Oct	05 May
19 Oct	04 May	13 Oct	21 Apr
12 Oct	20 Apr	06 Oct	14 Apr
05 Oct	13 Apr	22 Sep	07 Apr
21 Sep	06 Apr	15 Sep	24 Mar
14 Sep	23 Mar	08 Sep	17 Mar
07 Sep	16 Mar	01 Sep	10 Mar
24 Aug	09 Mar	18 Aug	03 Mar
17 Aug	02 Mar	11 Aug	17 Feb
10 Aug	16 Feb	04 Aug	10 Feb

Monthly Investment Insights

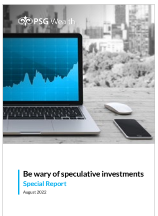


Jan 2023	Mar 2022	May 2021
Nov 2022	Feb 2022	Apr 2021
Oct 2022	Jan 2022	Mar 2021
Sep 2022	Nov 2021	Feb 2021
Aug 2022	Oct 2021	Jan 2021
Jul 2022	Sep 2021	Nov 2020
Jun 2022	Aug 2021	Oct 2020
May 2022	Jul 2021	Sep 2020
Apr 2022	Jun 2021	Aug 2020

Research and Strategy Report

Summer 2023	Autumn 2021
Winter 2022	Summer 2021
Autumn 2022	Spring 2020
Summer 2022	Winter 2020
Spring 2021	Autumn 2020
Winter 2021	Summer 2020

Special report



Be wary of speculative investments
Prosus voluntary exchange
Blockchains and bitcoins - a wealth manager's perspective
Active management in equity portfolios
Interest and yield-focussed solutions
Remgro unbundling (adviser version) Down-grade FAQs
Moody's downgrade
Covid-19 questions and answers
Advice to Advisers: Crisis of confidence, or not?
Naspers and NewCo – what you should know
Lessons from the PSG Annual Conference
Mboweni as new Minister of Finance
Value investing in the 21st century
Our bear risk indicator

Wealth Perspective

Dec	2022
Sep	2022
Ju9l	2022
Mar	2022
Dec	2021
Oct	2021

PSG Wealth

Permissions: You are welcome to reproduce this article, in whole or in part, if you attribute the use of the content with the following statement: "This information first appeared in the PSG Wealth publication, Monthly Investment Insights".